




FREDERICK COUNTY GOVERNMENT

INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Reaver, Director of Internal Audit

Memorandum

To: Interagency Internal Audit Authority Members

From: 
Tricia A. Reaver, CPA
Director, Internal Audit Division

Date: July 20, 2022

Subject: Annual Review of Frederick County, Frederick County Public Schools & Frederick Community College Financial Reports

The annual financial audits of Frederick County, Maryland, Frederick County Public Schools, and Frederick Community College have been completed by SB & Company, LLC for fiscal year 2021 as contracted by the County Council, Board of Education and Board of Trustees, respectively. Below is a breakdown of each report presented by SB & Company:

The following is a summary of the results of each report for **Frederick County, Maryland** (FCG):

- Annual Comprehensive Financial Report (ACFR)
 - Unmodified opinion, dated November 18, 2021
 - No noted prior period adjustments or restatements
 - Noted subsequent events
 - As of July 1, 2021, the County established the Frederick County Uniformed Employees Retirement Plan.
 - As of July 1, 2021, the County Executive approved changes to the Other Post Employment Benefit (OPEB) plan to better align with the County's pension benefit plan.
 - On September 28, 2021, the County issued Tax-Exempt General Obligation Public Facilities Project & Refunding Bonds, Series 2021A in the par amount of \$154,495,000 and premium of \$17,380,240. (ACFR pg. 127)
 - On September 28, 2021, the County issued General Obligation Public Facilities Taxable Refunding Bonds, Series 2021B in the amount of \$30,850,000. (ACFR pg. 127)
 - New accounting pronouncements
 - The County has adopted the provisions of GASB Statement 84 "Fiduciary Activities", Standard No. 90 "Major Equity Interests"

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and Statement 91 "Conduit Debt Obligations". The adoption of these statements did not have a material effect on the financial statements. (ACFR pg. 128)

- The County will evaluate the effects of and adopt by effective dates: Statement 87 "Leases"; Statement 92 "Omnibus 2020"; Statement 93 "Replacement of Interbank Offered Rates"; Statement 94 "Public-Private Partnerships and Availability Payment Arrangements"; Statement 96 "Subscription-Based Information Technology Arrangements" and Statement 97 "Certain Component Unit Criteria and Financial Reporting for Internal Revenue Code Section 457 ". (ACFR pg. 128)
- Risk management/ legal liabilities
 - No items noted which would result in settled claims over and above what is covered by the County insurance policies or that would have a material adverse effect on the financial statements at this time. (ACFR pg. 102)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards
 - Dated November 18, 2021
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc. noted
- Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance
 - Unmodified opinion, dated April 26, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with federal grant programs
- Single Audit report
 - Unmodified opinion, dated April 26, 2022
 - Low risk auditee
 - Total federal expenditures \$69,341,198
 - Total major programs tested \$47,182,631
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse (filed on May 20, 2022; audit report date April 26, 2022)
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
- Management representation letter
 - No special representations or items outside of the normal scope of the audit noted

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- Statement of Client Attendance Days and Client Fees of Frederick County, Maryland examination
 - For the year ended June 30, 2021
 - Unmodified opinion dated December 28, 2021
- 911 Trust Fund Audit of Revenue and Expenditures
 - Unmodified opinion dated December 28, 2021; no issues noted
- Agreed-Upon Procedures to Federal Register Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria
 - Report dated January 4, 2022
 - No negative findings reported on agreed upon procedures engaged to perform
- American Rescue Plan Act Revenue Replacement Agreed Upon Procedures
 - Report dated April 12, 2022
 - No negative findings reported on agreed upon procedures engaged to perform
- Bell Court Apartments annual financial audit (as regulated by DHCD)
 - Annual audited financial statement report
 - Unmodified opinion, dated September 27, 2021
 - No prior period adjustments or restatements
 - No noted legal contingencies
 - No subsequent events noted
 - New accounting pronouncements: Statement No. 87 Leases; management is currently evaluating the effect of this statement for next fiscal year
 - Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Dated September 27, 2021
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting communication to management regarding control deficiencies noted
 - No non-compliance noted
 - Report on Compliance with Specific Requirements Applicable to DHCD-Assisted Programs
 - Dated September 27, 2021
 - No issues noted, complied in all material respects
 - Electronic filing to DHCD
 - Completed and accepted by DHCD timely

The following is a summary of the results of each report for **Frederick County Public Schools, Maryland** (FCPS):

- ACFR
 - Unmodified opinion, dated September 28, 2021
 - There was one prior period adjustment / restatement due to the implementation of GASB Statement No. 84 "Fiduciary Activities". The implementation required FCPS to restate the beginning fund balance and net position resulting in the General Fund balance and government-wide net position to increase in the amount of \$3,416,251. Prior to the implementation, the School Activity Fund related assets and liabilities were reported in separate fiduciary fund financial statements. Under the requirements of the Statement, the assets, liabilities, revenues and expenditures related to School Activity Funds are reported in the General Fund due to the Board's administrative involvement. (ACFR pg. 67)
 - Noted subsequent events
 - FCPS received notification of the allocation from the American Rescue Plan Act – Elementary and Secondary Schools Emergency Relief (ARP ESSER) for an allocation amount of \$37.9 million. Funds were anticipated to be received in August 2021 and spending to commence during FY 2022. (ACFR pg. 67)
 - FCPS was awarded \$1.8 million on May 28, 2021, from the American Rescue Plan Act of 2021 Coronavirus State Fiscal Recovery Funds. No funds were encumbered or expended in FY 2021, FY 2022 funds will be received, and expenditures will commence. (ACFR pg. 67)
 - FCPS was awarded \$7.7 million on July 2, 2021, from the American Rescue Plan Act of 2021 Coronavirus State Fiscal Recovery Funds. No funds were encumbered or expended in FY 2021, FY 2022 funds will be received, and expenditures will commence. (ACFR pg. 67).
 - New accounting pronouncements
 - FCPS has adopted GASB Statement 84 "Fiduciary Activities". (ACFR pg. 67)
 - FCPS will evaluate the effects of and adopt by effective dates: Statement 87 "Leases"; Statement 96 "Subscription-Based Information Technology Arrangements" and Statement 97 "Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". (ACFR pg. 68)
 - Risk management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCPS or that would have a material adverse effect on the financial statements at this time (ACFR pg.

67). The liability balance within the FCPS self-insurance claims fund at June 30, 2021, was \$9,343,387. (ACFR pg. 61)

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Dated September 28, 2021
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
 - Unmodified opinion, dated April 21, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with federal grant programs
- Single Audit report
 - Unmodified opinion, dated April 21, 2022
 - Low risk auditee
 - Total federal expenditures \$42,960,015
 - Total major programs tested \$27,252,295
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse (Filed on April 25, 2022, report dated April 21, 2022)
- Annual required communications from the auditor
 - No passed adjustments noted
 - No issues noted during the audit
 - Controls appear to be running effectively
 - No instances of fraud or illegal acts noted
 - Management recommendation letter
 - None noted
- Management representation letter
 - No special representations or items outside of the normal scope of the audit noted

The following is a summary of the results of each report for **Frederick Community College, Maryland (FCC)** and the **Frederick Community College Foundation Inc.**

- Annual audited financial statement report (FCC)
 - Unmodified opinion, dated September 27, 2021
 - No noted prior period adjustments or restatements
 - Subsequent events noted
 - Coronavirus pandemic standard note
 - New accounting pronouncements:

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- During FY 2021 FCC has adopted GASB Statement No. 84 “Fiduciary Activities”, the adoption of this Statement did not have a material effect on the financial statements. (Pg. 21)
 - FCC will evaluate the effects of and adopt by effective dates: Statement 87 “Leases”; Statement 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”; Statement 96 “Subscription-Based Information Technology”. (Pg. 21)
 - Risk Management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCC or that would have a material adverse effect on the financial statements at this time
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Report dated September 27, 2021
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted.
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
 - Report dated April 28, 2022
 - No material weaknesses noted
 - One significant deficiency and compliance finding noted: Schedule of Findings and Questioned Costs item 2021-001. During testing of Return of Title IV calculations, the audit reviewed whether the Return of Title IV funds were returned within the 45-day window. The auditor noted that for 7 out of the 40 students selected for testing, funds were not returned timely.
 - No paragraph noting control deficiencies noted
 - No prior year compliance findings or deficiencies noted
- Single Audit report
 - Unmodified opinion, dated April 28, 2022
 - Low risk auditee
 - Total federal expenditures \$13,505,754
 - Total major programs tested \$12,342,745
 - One significant deficiency and compliance finding noted as finding 2021-001.
 - Filed late with the Federal Audit Clearinghouse, the Uniform Guidance requires filing to be done within 30 days of the report date (Filed on June 2, 2022; report dated April 28, 2022).
- Annual required communications from the auditor
 - Uniform Guidance finding 2021-011 noted, no other communications noted, and no separate management letter presented

- FCC Foundation- annual audited financial statement report
 - GAAP based financial statements, dated September 27, 2021
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - New accounting pronouncements, none noted in the footnotes
 - Subsequent events
 - Coronavirus pandemic standard note
 - No matters noted as probable or likely for disclosure or as a contingent liability on the books of the College
- Management representation letter
 - No special representations or items outside of the normal scope of the audit noted
- Annual required communications from the auditor
 - No special representations or items outside of the normal scope of the audit noted

I have reviewed each of the above listed reports (from management) and opinions from SB & Company. It appears the reports were appropriately formulated and the ACFRs have all necessary sections to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. New accounting pronouncements appear to have been properly implemented and noted. Overall, each entity received a “clean” unmodified audit opinion, and no material weaknesses, significant deficiencies or compliance findings were noted on the financial statement report. Additionally, no material weaknesses, significant deficiencies or compliance findings on the uniform guidance report were noted on the FCG or FCPS audit reports, however there was one significant deficiency which was also a compliance finding on the FCC uniform guidance report (finding 2021-001).

Please let me know if you have any specific questions to the above mentioned reports.

Pc: Dawn Reed, Coordinator, Internal Audit